

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 PM-03 NSC-05 SP-02 SS-15 MC-02 ACDA-05

CIAE-00 INR-07 NSAE-00 L-02 COME-00 EB-07 OMB-01

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P 181807Z MAR 75

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC PRIORITY 3433

SECDEF WASHDC PRIORITY

OSAF/IL PRIORITY

AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY THE HAGUE PRIORITY

AMEMBASSY STOCKHOLM PRIORITY

C O N F I D E N T I A L BRUSSELS 02389

E.O. 11652: GDS

TAGS: MASS, NL, BE

SUBJECT: F-104 REPLACEMENT

1. TODAY I CALLED ON FOREIGN MINISTER VAN ELSLANDE, DEFENSE MINISTER VANDEN BOEYNANTS, AND FINANCE MINISTER DE CLERCQ TO PRESENT THE U.S. POSITION ON THE F-104 REPLACEMENT. I STRESSED THE SUPERIOR MILITARY PERFORMANCE OF THE F-16, THE IMPORTANCE TO NATO OF STANDARDIZATION, THE LOW ACQUISITION AND OPERATING COST OF THE F-16, AND THE QUANTITATIVE AND QUALITATIVE VALUE OF THE U.S. COPRODUCTION OFFER.

2. VAN ELSLANDE LISTENED CAREFULLY AND NOTED MY ARGUMENTS. HE AND HIS CHEF DE CABINET, VAN BELLINGHEN, EXPRESSED CONCERN ON TWO POINTS:

A. THEY SAID THAT, WHILE THE FOUR-NATION CONSORTIUM HAD NOT YET COMPLETED THEIR ANALYSIS OF THE NEW FRENCH PRICE, IT APPEARED ON FIRST GLANCE THAT THE U.S. PRICE
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ADVANTAGE HAD BEEN REDUCED TO SEVEN PERCENT. THEY

ACKNOWLEDGED THAT THERE MIGHT BE SOME WATER IN THE NEW FRENCH PRICE AND THAT THE TRUE AMOUNT OF THE NEW PRICE COULD BE DETERMINED ONLY AFTER CAREFUL ANALYSIS. THEY ALSO CONFIRMED THAT THE FRENCH GOVERNMENT HAD GUARANTEED THE PRICE OF THE F-1 AND HAD AGREED TO ASSUME THE FOREIGN EXCHANGE RISK. VAN ELSLANDE AND VAN BELLINGHEN ASKED WHETHER THE U.S. COULD NOT ALSO ASSUME THE FOREIGN EXCHANGE RISK. I AGREED TO PASS THEIR REQUEST TO WASHINGTON.

B. VAN ELSLANDE ASKED WHETHER THE U.S. WOULD PERMIT THE FOUR-NATION CONSORTIUM TO PRODUCE THE HIGH TECHNOLOGY ITEMS IN THE F-16 OR WHETHER THEY WOULD ALL BE PRODUCED IN THE U.S. WE REPLIED THAT A LARGE PORTION OF THE HIGH TECHNOLOGY ITEMS COULD BE PRODUCED BY THE EUROPEANS.

3. A VALUED BELGIAN SOURCE HAD INFORMED US EARLIER THIS AFTERNOON THAT, IN THE DUTCH-BELGIAN MEETING IN THE HAGUE THIS MORNING, THE BELGIAN FOREIGN MINISTRY HAD ADVOCATED THAT THE NETHERLANDS AND BELGIUM AGREE TO PURCHASE THE FRENCH AIRCRAFT. WE ASKED VAN ELSLANDE POINT BLANK WHETHER THIS ACCOUNT WAS TRUE, WHETHER THE BELGIAN GOVERNMENT HAD MADE A DECISION, AND WHETHER THE BELGIAN FOREIGN MINISTRY HAD ADOPTED A POSITION. VAN ELSLANDE ANSWERED FLATLY NO TO EACH OF THESE QUESTIONS. HE SAID THAT HE EXPECTED THE BELGIAN AND DUTCH GOVERNMENTS TO MAKE A DECISION IN THE NEXT SEVERAL WEEKS. VAN ELSLANDE EMPHASIZED THAT BELGIUM AND THE NETHERLANDS HAD AGREED THEY WOULD BUY THE SAME PLANE.

4. VANDEN BOEYNANTS SAID THAT I WAS "CORRECT" IN SAYING THAT F-16 WAS SUPERIOR IN MILITARY CAPABILITIES, HAD LOW INITIAL PRICE, LOW FUEL CONSUMPTION, AND THAT U.S. ECONOMIC OFFSET OFFER WAS EXCELLENT IN REGARDS CONSORTIUM COUNTRY PARTICIPATION BEYOND 100 PERCENT RECOUPMENT OF INITIAL EXPENDITURES, HIGH TECHNOLOGY TRANSFER TO EUROPEAN INDUSTRY AND LARGE POTENTIAL MARKET. HE SAID IN RESPONSE TO MY STRESSING STANDARDIZATION, THAT THAT ARGUMENT WORKED AGAINST THE U.S. HE SAID THAT AS CONFIDENTIAL

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BELGIUM HAD MORE FRENCH THAN U.S. AIRCRAFT IN ITS INVENTORY LOGIC OF STANDARDIZATION WAS TO STANDARDIZE ON FRENCH AIRCRAFT. I REPLIED U.S. WAS LOOKING TO THE FUTURE, NOT THE PAST, AND THAT FUTURE STANDARDIZATION SHOULD BE ON F-16. VANDEN BOEYNANTS, WHO MAY HAVE ONLY INTENDED TO MAKE A DEBATING POINT, DROPPED THIS LINE. VANDEN BOEYNANTS REFERRED TO THIS MORNING'S MEETING IN THE HAGUE AND SAID THAT BELGIN

DECISION WOULD BE MADE IN NEXT THREE TO FOUR WEEKS.
IN SAME HAGUE MEETING CONTEXT HE REPEATED TO ME THREE
TIMES THAT U.S. AIRCRAFT HAD AN "EXCELLENT CHANCE." IN
RESPONSE TO MY QUESTION AS TO WHETHER HE HAD ANY
PROBLEMS WITH U.S. OFFER OR QUESTIONS, VANDEN BOEYNANTS
SAID THAT TWO ISSUES REMAIN TO BE WORKED OUT:

A. PRICE, ON WHICH HE DID NOT GO INTO FURTHER DETAIL;

B. THE SCHEDULE OF PAYMENTS BELGIUM WOULD BE REQUIRED
TO MAKE.

VANDEN BOEYNANTS SAID THAT AS MOD HE HAD TO WORK OUT A
BUDGET COVERING YEARS 1976 THROUGH 1985 AND THAT HE
WANTED TO SMOOTH OUT PAYMENTS AS MUCH AS POSSIBLE.
PRESENT U.S. OFFER REQUIRED BELGIUM TO LAY OUT FUNDS
UNEVENLY WITH HEAVY INITIAL OUTLAYS. HE RAISED THESE
QUESTIONS, NOT AS STUMBLING BLOCKS, BUT AS MATTERS STILL
REQUIREING ATTENTION.

5. DE CLERCQ LISTENED ATTENTIVELY TO MY PRESENTATION.
HE SEEMED RECEPTIVE AND TOOK NO EXCEPTION TO MY
ARGUMENTION. HE CONFIRMED THAT NO BELGIAN GOVERNMENT
DECISION HAD BEEN MADE AND THAT IT WOULD BE MADE BY
THE ENTIRE CABINET. FIRESTONE

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